

for listing & file

This Listing Statement is compiled by the Exchange from documents filed by the Company in making application for listing. It is issued for the information of members, member firms and member corporations of the Exchange. It is not and is not to be construed as a prospectus. The Exchange has received no consideration in connection with the issue of this Listing Statement other than the customary listing fee. The documents referred to above are open for inspection at the general office of the Exchange.

LISTING STATEMENT No. 2092

LISTED FEBRUARY 15, 1962
2,460,000 shares without par value, of which 210,000 are subject to issuance.
Ticker abbreviation "TM"
Dial ticker number 535
Post section 3.5

FEB 22 1962

TORONTO STOCK EXCHANGE

LISTING STATEMENT

TOWERS MARTS AND PROPERTIES LIMITED

A Company incorporated under the laws of the Province of Ontario
by letters patent dated the 21st day of July, 1961.

SHARES WITHOUT PAR VALUE
(Shares transferable in Toronto and Montreal)

CAPITAL SECURITIES AS AT DECEMBER 22, 1961

	AUTHORIZED	OUTSTANDING	TO BE LISTED
CAPITAL STOCK			
Shares without par value.....	3,000,000	2,250,000	2,460,000*
FUNDED DEBT.....	nil	nil	nil

*210,000 shares have been set aside and reserved for issue against exercise of share purchase warrants.

December 22, 1961.

1. APPLICATION

Towers Marts and Properties Limited (hereinafter called the "Company") hereby makes application for listing on The Toronto Stock Exchange of 2,460,000 shares without par value in the capital of the Company of which 2,250,000 are issued and outstanding as fully paid and non-assessable and 210,000 have been set aside and reserved for issue against exercise of transferable subscription warrants (hereinafter called "Warrants") for the purchase of such shares and requests that Warrants for the purchase of 210,000 shares be posted for trading.

2. REFERENCE TO PROSPECTUS

Reference is made to the attached Prospectus dated September 8, 1961 relating to 250,000 shares without par value accompanied by Warrants for the purchase of 125,000 shares, which is incorporated in and made a part hereof.

3. NATURE OF BUSINESS AND NUMBER OF EMPLOYEES

The Company directly and through its wholly-owned Subsidiaries (a) presently operates and manages in the Provinces of Ontario and Quebec 9 retail discount department stores known as Towers Discount Department Stores; (b) is presently the Lessee of 5 shopping centres having a Towers Discount Department Store as a key tenant; and (c) is engaged in the development of shopping centres having a Towers Discount Department Store as a key tenant, in the acquisition of suitable sites, the design and supervision of construction of buildings and in store planning and layout for its own operations as well as for others.

At the present time the Company and its Subsidiaries have approximately 510 employees.

4. NO PERSONAL LIABILITY—OPINION OF COUNSEL

Messrs. Daly, Harvey & Cooper, Special Counsel for the Company, are filing in support of this application an opinion stating, among other things, that:

(i) The Company was duly incorporated under the laws of the Province of Ontario, has been duly and validly organized and is a valid and subsisting corporation;

(ii) All of the issued and outstanding shares in the capital of the Company are fully paid and non-assessable;

(iii) The Company has duly and validly set aside and reserved out of its authorized but unissued shares without par value in its capital as presently constituted an aggregate of 210,000 shares which have been allotted for issue against exercise of the Warrants, and such shares upon issue and delivery of certificates therefor pursuant to exercise of Warrants and against payment of the purchase price therefor, will be duly issued and outstanding as fully paid and non-assessable.

5. RECORD OF PROPERTIES

Reference is made to the caption "Stores and Centres" on Page 5 of the said Prospectus and to the locations therein mentioned. The Company is the Lessee of the lands at the locations Numbered 4, 5 and 10. Tower's Marts of Canada Limited is the Lessee of the lands at the locations Numbered 1, 2, 3, 6, 7 and 8. Bendonald Properties Limited is the Lessee of the lands at the location Numbered 9. As stated in paragraph 6 hereof, the property of Tower's Marts of Canada Limited and Bendonald Properties Limited, including the leasehold interests above referred to, is to be transferred to the Company.

6. SUBSIDIARY COMPANIES

Tower's Marts of Canada Limited, incorporated under the laws of the Province of Ontario by Letters Patent dated December 10, 1959 operates and manages retail discount department stores; authorized capital 30,000 preference shares with a par value of \$10 each and 10,000 common shares without par value; issued capital 10,000 common shares without par value, all beneficially owned by the Company. Bendonald Properties Limited, incorporated under the laws of the Province of Ontario by Letters Patent dated May 2, 1961 engages in the development of shopping centres having a Towers Discount Department Store as a key tenant, in the acquisition of suitable sites, the design and supervision of the construction of buildings and in store planning and layout; authorized capital 30,000 preference shares with a par value of \$10 each and 10,000 common shares without par value; issued capital 10,000 common shares without par value, all beneficially owned by the Company.

The Company has authorized each of its Subsidiaries to make application to the Lieutenant Governor of the Province of Ontario for an order accepting the surrender of its charter and, after paying or providing for its debts, obligations or liabilities, to distribute its property to the Company.

7. FUNDED DEBT

At the date hereof neither the Company nor either of its Subsidiaries has any funded debt. The mortgages payable on acquired properties referred to in the balance sheet and pro forma consolidated balance sheet forming part of the said Prospectus relate to properties which have since been sold by the Subsidiary concerned and such mortgages have been assumed by the purchasers.

8. LISTING ON OTHER STOCK EXCHANGES

No application has been made by the Company to list any of the shares in the capital of the Company on any other stock exchange.

9. STATUS UNDER SECURITIES ACTS

The offering of 250,000 shares without par value and 125,000 Warrants for sale in the Provinces of Ontario and Quebec was duly approved and authorized.

10. FISCAL YEAR

The fiscal year of the Company ends on the 30th day of September.

11. ANNUAL MEETING

The by-laws of the Company provide that the annual meeting of the shareholders shall be held at such place within Ontario at such time and on such date in each year as the Board or the President or a Vice-President who is a director may from time to time determine. No annual meeting has yet been held.

12.

HEAD OFFICE

The Head Office of the Company is located at Suite 808, 99 Avenue Road, Toronto, Ontario.

13.

TRANSFER AGENT AND REGISTRAR

National Trust Company, Limited at Toronto and Montreal is the transfer agent and registrar of the shares of the Company. National Trust Company, Limited is also the Trustee under the Warrant Indenture dated as of September 1, 1961 relating to the Warrants and a party to the Escrow Agreement dated August 31, 1961 referred to in paragraph 31 of the Statutory Information forming part of the said Prospectus.

14.

TRANSFER FEE

No fee is charged on stock transfers other than customary government stock transfer taxes.

15.

AUDITORS

The auditors of the Company are Messrs. Ernst and Ernst, Chartered Accountants, 2 King Street East, Toronto.

16.

OFFICERS

NAME	OFFICE	ADDRESS
Samuel J. Rosenstein	Chairman of the Board	Purchase Street, Purchase, N.Y., U.S.A.
Benjamin Rosenberg	President	126 Strathearn Road, Toronto, Ontario.
Ely Segal	Vice-President	125 Strathearn Road, Toronto, Ontario.
Sidney Gottlieb	Secretary	65 Billington Crescent, Don Mills, Ontario.
Ben Sobel	Treasurer	203 Strathearn Road, Toronto, Ontario.
Lawrence Salsberg	Assistant Secretary	25 Honbury Road, Rexdale, Ontario.

17.

DIRECTORS

NAME	OCCUPATION	ADDRESS
Samuel Robert Dilworth	Accountant	119 Quercus Avenue, Willimantic, Conn. U.S.A.
Alexander Hargrave Douglas	Executive	2 Twyford Court, Islington, Ontario.
John David Fienberg	Executive	406 Vesta Drive, Toronto, Ontario.
Donald Harlan Jaffey	Executive	Sterling Road, Harrison, N.Y., U.S.A.
Marshall Hay Jones	Executive	1285 Clover Street, Rochester, N.Y., U.S.A.
William Vincent MacInnes	Stockbroker	1052 Argyle Drive, Oakville, Ontario.
Benjamin Rosenberg	Executive	126 Strathearn Road, Toronto, Ontario.
Samuel J. Rosenstein	Executive	Purchase Street, Purchase, N.Y., U.S.A.
Harold Melvin Turner	Executive	170 Forest Hill Road, Toronto, Ontario.

CERTIFICATE

Pursuant to a resolution duly passed by its board of directors, the applicant Company hereby applies for listing of the above mentioned securities on the Toronto Stock Exchange, and the undersigned officers thereof hereby certify that the statements and representations made in this application and in the documents submitted in support thereof are true and correct.



TOWERS MARTS AND PROPERTIES LIMITED
"BEN ROSENBERG", President
"SIDNEY GOTTLIEB", Secretary

CERTIFICATE OF UNDERWRITERS

To the best of our knowledge, information and belief all of the statements and representations made in this application and in the documents submitted in support thereof are true and correct.

T. A. RICHARDSON & CO.,
By: "MARSHAL STEARNS"
"G. A. HUNTER"

STATEMENT SHOWING NUMBER OF SHAREHOLDERS

TOWERS MARTS AND PROPERTIES LIMITED

Distribution of No Par Value stock
as of December 19, 1961

Number		Shares
195	Holders of 1— 100 share lots.....	12,175
33	" " 101— 200 " "	6,115
23	" " 201— 300 " "	6,480
5	" " 301— 400 " "	2,000
14	" " 401— 500 " "	6,875
23	" " 501—1000 " "	20,515
16	" " 1001—up ..	2,195,840
309 Stockholders		Total shares.....2,250,000

SUPPLEMENTARY INFORMATION

The Board of Governors of the Exchange has ruled that so long as shares of the Company are listed on the Exchange the 2,000,000 shares of the Company presently held in escrow shall not be released or transferred without the consent of the Exchange and no distribution of the said 2,000,000 shares shall be made without the consent of the Exchange and a prospectus may be required with respect to such distribution.

The plan of reorganization, merger and consolidation of Tower's Marts, Inc. and Towers Properties, Inc., referred to in paragraph 34 of the prospectus, was completed September 29, 1961 and the respective companies merged into a new corporation, Towers Marts International Inc.

NEW ISSUE

TOWERS MARTS AND PROPERTIES LIMITED

(Incorporated under the laws of Ontario)



PROSPECTUS



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This prospectus is not, and in no circumstances is to be construed as, an offering of the shares and warrants for sale in the United States of America or in the territories or possessions thereof. With the exception of the information and representations contained in this prospectus, no person is authorized by the Company to give any information or to make any representation in connection with the issue and sale of the shares and warrants. Reference is made to paragraph 12 on page 11 hereof for further information concerning the restrictions on offering these shares and warrants for sale.

NEW ISSUE

250,000 Shares without par value
accompanied by
125,000 Transferable Subscription Warrants
for the purchase of 125,000 shares

One Warrant accompanies each two shares

TOWERS MARTS AND PROPERTIES LIMITED

(Incorporated under the laws of Ontario)

Said 125,000 warrants may be exercised as follows:

On or before September 15, 1962 at \$ 8.00 per share, thereafter
and on or before September 15, 1963, at \$ 9.50 per share, thereafter
and on or before September 15, 1964 at \$11.00 per share.

A total of 210,000 warrants are to be outstanding upon the completion of this financing. In addition to the 125,000 warrants referred to above, some or all of the balance of 85,000 warrants (which are not being offered by the Underwriter named herein) may be offered to the public through registered brokers. Each of the 210,000 warrants to be outstanding requires as a condition of its exercise the execution of a certificate, which is endorsed on the warrant, to the effect that the holder of the warrant is not a resident of the United States of America or any territory or possession thereof, that he is acquiring the shares being purchased for his own account or for the account of a person who is not a resident of the United States of America or any territory or possession thereof, and that he has no present intention of making a public or private offering of any said shares to, or of soliciting subscriptions for such shares from, residents of the United States of America or any of the territories or possessions thereof.

Transfer Agent and Registrar:

**National Trust Company, Limited,
Toronto and Montreal**

PRICE: \$6.50 PER SHARE

One warrant will accompany each two shares purchased.

No fractional warrants will be available.

These are speculative securities.

We, as principals, offer these 250,000 shares and 125,000 warrants, if, as and when issued by the Company and accepted by us, subject to the approval of all legal matters on behalf of the Underwriter by Messrs. Manning, Bruce, Paterson & Ridout, Toronto, and on behalf of the Company by Messrs. Daly, Harvey & Cooper, Toronto. Said counsel will rely as to title matters upon the opinion of Messrs. Rosenberg, Smith, Walsh & Kroll, Toronto.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books without notice.

It is expected that share certificates in interim form and warrants will be available for delivery in Toronto and Montreal on or about September 21, 1961.

The following information has been supplied by Mr. Benjamin Rosenberg, President of Towers Marts and Properties Limited, in connection with the sale of the securities offered by this prospectus.

General

Towers Marts and Properties Limited (hereinafter called the "Company") was incorporated on July 21, 1961. The Company acquired all the issued and outstanding shares of Towers Marts of Canada Limited (hereinafter called "Towers of Canada") and Bendonald Properties Limited (hereinafter called "Bendonald") and may in due course cause them to be dissolved and their assets and businesses consolidated with those of the Company.

The Company, directly and through its wholly owned subsidiaries, engages in the following related businesses:

- (a) through Towers of Canada, it controls the operations and management of retail discount department stores which are known as "Towers Discount Department Stores."
- (b) through Bendonald, it engages in the development of shopping centres having a Towers Discount Department Store as a key tenant, in the acquisition of suitable sites, the design and supervision of construction of buildings and in store planning and layout for its own operations as well as for others.

The Company is the lessee through Towers of Canada of entire shopping centres located at Lawrence and Midland Avenues in Scarborough Township and at Dixie Road and No. 5 Highway in Toronto Township, both near Toronto, with a Towers Discount Department Store as a key tenant in each centre. While the Towers store at Dixie Road and No. 5 Highway is operating, the balance of the shopping centre will not be completed until later this year. The Company, through its subsidiary Bendonald, has completed the construction of a Towers Discount Department Store at Aldershot in the Town of Burlington, near Hamilton. All three stores are in operation. Upon the completion of three additional stores in the Province of Quebec, at the locations indicated under the caption "Stores and Centres" below, the Company will have in operation by early in September, 1961, six Towers Discount Department Stores, having a gross area of approximately 580,000 square feet. In a number of additional locations the Company, through its subsidiary, Bendonald, is in the process of developing shopping centres and Towers Discount Department Stores so that by the end of 1961 the Company expects to be operating ten stores and nine shopping centres developed in conjunction therewith at the locations indicated under the caption "Stores and Centres" on page 5 hereof.

Towers of Canada opened the first Towers Discount Department Store in Canada on November 17, 1960, in Scarborough, and sales for the first year of operation, ending November 16, 1961, based on experience to date, will exceed \$9,000,000 including sales of furniture and food. The Company's gross revenue is a percentage of the volume of retail sales. This response by the Toronto buying public to the Towers method of retailing was a deciding factor to management in launching an expansion programme.

Towers Method of Retailing

The Towers method of retail merchandising involves offering a wide variety of quality merchandise to the public at low prices through the super-market technique of self-service selling, intensive advertising, low overhead, and money-back guarantee. As part of this technique, it licenses concessionaires in each department who are experienced in their particular fields to sell the merchandise under Towers' regulations and policies. The implementation of these regulations and policies is a major function of store management. The concessionaire, as a condition of his license, is required to sell his merchandise below the lowest prevailing price for comparable merchandise in conventional competing retail stores and to meet prices of competitive discount stores.

The fixtures, the display of the merchandise, the advertising, the promotion and all other aspects of retailing are under the control of Towers' management. All sales are recorded through Towers' cash registers. Settlement with concessionaires is made daily.

By establishing a low cost of operation for the concessionaire, and by the use of the super-market method of display and distribution, the merchandise in Towers stores is being sold at prices averaging 12% to 15% below the prices for comparable merchandise at conventional competing retail stores.

The sales operations in each store are conducted on a single floor. The size of a Towers discount store varies from 80,000 to 100,000 square feet, and the categories offered for sale include:

Agricultural Products (e.g. Trees, Shrubs, Organic Chemicals, Garden Insecticides and Fungicides).	Greeting Cards
Appliances	Hardware
Automotive	Hobbies
Bakery	Housewares
Books	Jewellery including:
Boys' Wear and Accessories	Precious Jewellery
Cameras, Film and Accessories	Costume Jewellery
Candy (Boxed, Bar, Bulk)	Religious Articles
Children's and Infants' Wear and Accessories	Watches and Clocks
Cigarettes and Cigars	Lighters and Accessories
Cosmetics	Luggage
"Do It Yourself"	Luncheonette
Domestics including:	Men's Wear and Accessories
Draperies and Curtains	Millinery
Linens and Accessories (Table Cloths, Napkins, etc.)	Notions
Bedding (Pillows, Spreads, Blankets)	Patent Medicines and Home Remedies
Floral Gifts	Pets and Pet Supplies
Garden Shop including:	Pipes and Accessories
Garden Tools	Shoes for the entire family
Garden Supplies	Stationery
Girls' Wear and Accessories	Toys
	Umbrellas
	Wallets
	Women's Wear (e.g. Coats, Suits, Dresses, Sportswear, Lingerie)

Stores and Centres

Completed or to be Completed by December 31, 1961

Location	Estimated Date of Completion	Towers Store Sq. Ft. Area	Approx. Sq. Ft. Area of Other Tenants in Centre	Approx. Parking (No. of Cars)
1. Scarborough Twp. Ontario	*Completed	100,940	25,500	900
2. Toronto Twp., Ontario	Completed	101,376	39,900	1,200
3. Aldershot (near Hamilton), Ontario	Completed	101,376	16,940	1,000
4. Metropolitan Blvd., Montreal, P.Q.	September, 1961	109,000	60,000	900
5. Taschereau Blvd., Montreal, P.Q.	September, 1961	101,376	84,000	1,500
6. Quebec City, P.Q.	September, 1961	99,840	**nil	2,500
7. St. Catharines, Ontario	September, 1961	100,000	51,500	1,000
8. London, Ontario	November, 1961	100,000	49,000	1,000
9. Waterloo, Ontario	November, 1961	100,000	49,000	1,000
10. Hamilton, Ontario	November, 1961	100,000	not yet known	800

* 60,440 sq. ft. Towers store was completed and opened for business November 17, 1960, and the balance has been completed subsequently.

** Existing shopping centre constructed by others, and the Company has no interest in any part except the Towers store.

Towers Expansion Programme

By the end of 1961, it is anticipated that the Company will have ten Towers stores in operation, with a combined selling area of approximately one million square feet in the aggregate, exclusive of the food and service stores which it is planned to construct in the shopping centres.

Each of these stores is in a location accessible from a main highway, has ample parking facilities and is adjacent to a growing residential area. Each Towers store is designed as the focal point of an entire shopping centre to afford customers complete shopping facilities in one location and provide one-stop shopping.

The Company's estimates of income from the operation of Towers Discount Department Stores and from real estate transactions are set out in the Statements of Projected Income and Gain on Sale of Outlets under the respective headings Statement of Outlet Operations and Statement of Construction, Sale and Leaseback of Outlets, to which reference is made.

Statements of Projected Income and Gain on Sale of Outlets

Statement of Outlet Operations is based on the results of the operations of ten stores now opened or planned to be opened by December 31, 1961, for a full year estimated by projecting the actual operating results for the period from November 17, 1960, to May 31, 1961, of the one operating outlet. Statement of Construction, Sale and Leaseback of Outlets assumes that eight outlets will have been constructed, sold and leased back by December 31, 1961: the statement does not reflect the construction, sale and leaseback of the first two outlets which were for the account of Towers Properties, Inc.

STATEMENT OF OUTLET OPERATIONS:

Revenues:

Rental of concessions	\$ 6,805,317
Rental of equipment	313,260
Total Revenues	<u>\$ 7,118,577</u>

Expenses:

Depreciation of equipment	\$ 38,880	
Amortization of pre-operating expenses	38,232	
Rents and municipal taxes	1,575,640	
Other operating expenses	3,059,206	
Other administrative and general expenses	691,504	5,403,462
		<u>\$ 1,715,115</u>
Taxes on income estimated		890,284
Net income		<u><u>\$ 824,831</u></u>

STATEMENT OF CONSTRUCTION, SALE AND LEASEBACK OF OUTLETS:

Revenues:

Property sales	\$11,940,000
Rent	388,785

Expenses:

Cost of property sales	\$8,770,980	
Rent	353,039	
General and administrative	385,121	9,509,140
		<u>\$ 2,819,645</u>
Taxes on income estimated		1,409,822
Gain on Sale of Outlets		<u><u>\$ 1,409,823</u></u>

Auditors' Report

Board of Directors,
Towers Marts and Properties Limited.

We have reviewed the statements of projected income and gain on sale of outlets which have been prepared on the basis of certain assumptions and estimates described above and have examined documentary evidence generally substantiating the acquisition, sale and leaseback of the outlets on which the statements are based.

In our opinion, the statements of projected income and gain on sale of outlets have been properly prepared on the basis of the assumptions and estimates described and in accordance with generally accepted accounting principles.

Toronto, Ontario
September 8, 1961

(Signed)

ERNST & ERNST
Chartered Accountants

Balance Sheets and Pro Forma Consolidated Balance Sheet
As at May 31, 1961

	Towers Marts Canada of Limited	Bendonald Properties Limited	Pro Forma Consolidated Balance Sheet
ASSETS			
CURRENT ASSETS:			
Cash	\$ 23,569		\$1,502,069
Accounts receivable:			
Concessionaires	80,741		80,741
Tower's Marts, Inc.	79,657		79,657
	<u>\$160,398</u>		<u>\$ 160,398</u>
Properties acquired — at cost		\$1,144,392	\$1,144,392
Deposits on other properties		53,000	53,000
Prepaid expenses and supplies	13,742	975	14,717
Total Current Assets	<u>\$197,709</u>	<u>\$1,198,367</u>	<u>\$2,874,576</u>
OTHER ASSETS:			
Accounts with officers and directors	\$ 3,844		\$ 3,844
Unamortized finance charges	40,861		40,861
Unamortized pre-operating expenses	35,210	2,810	38,020
Share issue expense			30,000
Equipment — at cost	243,048		243,048
Less allowances for depreciation	(13,165)		(13,165)
	<u>\$309,798</u>	<u>\$ 2,810</u>	<u>\$ 342,608</u>
	<u>\$507,507</u>	<u>\$1,201,177</u>	<u>\$3,217,184</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Accounts payable and accrued expenses	\$182,881	\$ 2,114	\$ 184,995
Advances from Towers Properties, Inc.		153,343	153,343
Loans payable		51,000	51,000
Mortgages payable on acquired properties		894,720	894,720
Taxes on income — estimated	7,000		7,000
Total Current Liabilities	<u>\$189,881</u>	<u>\$1,101,177</u>	<u>\$1,291,058</u>
OTHER LIABILITIES:			
Accounts payable (including finance charges) due beyond one year to November 30, 1965	141,792		141,792
Concessionaire rental deposits	23,414		23,414
DEFERRED INCOME:			
Unearned equipment rentals	28,102		28,102
CAPITAL STOCK:			
Towers Marts of Canada Limited and Bendonald Properties Limited:			
Preference, 6% cumulative, redeemable, \$1.00 par value per share:			
Authorized — 30,000 shares; none issued			
Common — without par value:			
Authorized and issued or to be issued — 10,000 shares	100,227	100,000	-0-
Towers Marts and Properties Limited (pro forma consoli- dated balance sheet):			
Authorized — 3,000,000 shares without par value			
Issued — 2,250,000 shares			1,724,318
CONTRIBUTED SURPLUS			8,500
EARNED SURPLUS	24,091		-0-
	<u>\$507,507</u>	<u>\$1,201,177</u>	<u>\$3,217,184</u>

The notes to financial statements appearing on pages 8 and 9 of this prospectus are an integral part hereof.

Towers Marts of Canada Limited
Statement of Income and Earned Surplus
For the period from December 10, 1959
(date of incorporation), to May 31, 1961

REVENUES:

Rental of concessions	\$243,276
Rental of equipment	19,879
Sundry	104
Total revenues	<u>\$263,259</u>

DEDUCTIONS:

Depreciation of equipment	\$13,165
Amortization of pre-operating expenses	3,830
Interest (including finance charges)	4,910
Service charges by Towers Marts, Inc.	9,736
Rents	47,288
Municipal taxes	8,439
Other operating expenses	96,921
Other administrative and general expenses	47,879
	<u>232,168</u>

Income before taxes on income \$ 31,091

Taxes on income — estimated 7,000

Net income (earned surplus at May 31, 1961) \$ 24,091

Notes to Financial Statements

TOWERS MARTS OF CANADA LIMITED.

Capital Stock:

As at May 31, 1961 all the common shares were subscribed for and authorized for issue subject to increase from \$10,000 to \$105,000 in the consideration for which such shares were issuable. Authority for such increase was subsequently obtained.

Commitments:

The Company has entered into the following leases with respect to the present operating outlet:
(a) for fifty years from November 17, 1960, at a minimum annual rental of \$151,300 excluding insurance, taxes, other occupancy charges and additional rentals based on a percentage of sales.

(b) for twenty years from June 15, 1961, at an annual rental of \$9,000 with options for renewal and purchase.

Nine additional stores scheduled for completion by December 31, 1961, will be leased by the Company at terms equivalent to those negotiated for the presently leased outlet.

Pre-operating expenses:

Pre-operating expenses consisting of management costs prior to the commencement of operations on November 17, 1960, will be amortized over a three year period ending in 1963.

Statement of income:

The statement of income reflects the operations of the Towers store in Scarborough, Ontario, for the period from November 17, 1960 (store opening date) to May 31, 1961.

BENDONALD PROPERTIES LIMITED.

Capital Stock:

As at May 31, 1961 all the common shares were subscribed for and authorized for issue subject to increase from \$10,000 to \$100,000 in the consideration for which such shares were issuable. Authority for such increase was subsequently obtained.

Properties:

The amounts shown for properties represent land acquired prior to May 31, 1961, by others acting on behalf of Bendonald Properties Limited, to be transferred to Bendonald Properties Limited subsequent to that date. These properties, subject to the mortgages payable thereon, are to be sold and leased back under existing agreements.

Commitments — approximately \$1,750,000:

Offers to purchase additional properties at St. Catharines, Hamilton and Waterloo and additional land adjoining one of the sites already acquired were outstanding at May 31, 1961, as well as a store building construction contract at Aldershot. All but the Hamilton offer (not yet closed) were subsequently closed at approximate offer prices.

Statement of Income:

Bendonald Properties Limited was incorporated on May 2, 1961, and as at May 31, 1961, had carried out only transactions involving the acquisition of shopping plaza sites.

PRO FORMA CONSOLIDATED BALANCE SHEET.

The pro forma consolidated balance sheet gives effect to the following:

- (1) The incorporation of Towers Marts and Properties Limited by Letters Patent issued subsequent to May 31, 1961.
- (2) The purchase by Towers Marts and Properties Limited of all the outstanding shares of Towers Marts of Canada Limited and Bendonald Properties Limited for 2,000,000 shares of its capital stock, on which a valuation of 11.2159 cents per share was placed.
- (3) The consolidation of the accounts of Towers Marts and Properties Limited with those of the two subsidiary companies, with resultant eliminations and combinations of assets and liabilities.
- (4) The sale for \$1,500,000 of 250,000 shares of Towers Marts and Properties Limited accompanied by 125,000 subscription warrants, together with an additional 85,000 warrants for \$8,500, said warrants exercisable as follows:
On or before September 15, 1962, at \$8.00 per share, thereafter and on or before September 15, 1963 at \$9.50 per share, thereafter and on or before September 15, 1964 at \$11.00 per share.
- (5) Estimated fees and expenses of \$30,000 in connection with the foregoing paid out of the general funds of Towers Marts and Properties Limited.

Approved on behalf of the Board:

(Signed) B. ROSENBERG, Director

(Signed) D. H. JAFFEY, Director

Auditors' Report

Board of Directors,
Towers Marts and Properties Limited.

We have examined the balance sheets of Towers Marts of Canada Limited and Bendonald Properties Limited as at May 31, 1961, and the statement of income and earned surplus of Towers Marts of Canada Limited for the period from December 10, 1959 (date of incorporation) to May 31, 1961. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheets and statement of income and earned surplus present fairly the financial position of Towers Marts of Canada Limited and Bendonald Properties Limited at May 31, 1961, and the results of operations of Towers Marts of Canada Limited for the period from December 10, 1959 to May 31, 1961, in conformity with generally accepted accounting principles.

In our opinion, also, the accompanying pro forma consolidated balance sheet has been prepared in accordance with generally accepted accounting principles after giving effect to the transactions on which it was based.

Toronto, Ontario
September 8, 1961

(Signed)

ERNST & ERNST
Chartered Accountants

STATUTORY INFORMATION

1. The full name of the Company is TOWERS MARTS AND PROPERTIES LIMITED (herein called the "Company"). The address of its head office is Suite 808, 99 Avenue Road, Toronto, Ontario.

2. The Company was incorporated under The Corporations Act of the Province of Ontario by Letters Patent dated July 21, 1961.

3. The general nature of the business to be transacted by the Company either directly or through its wholly owned subsidiaries Towers Marts of Canada Limited and Bendonald Properties Limited is the operation of retail department stores and the development and leasing of shopping centres.

4. The full names, present occupations and home addresses of the directors and officers of the Company are as follows:—

Directors

SAMUEL ROBERT DILWORTH	Accountant	119 Quercus Avenue, Willimantic, Connecticut, U.S.A.
ALEXANDER HARGRAVE DOUGLAS	Executive	2 Twyford Court, Islington, Ontario
JOHN DAVID FIENBERG	Executive	406 Vesta Drive, Toronto, Ontario
DONALD HARLAN JAFFEY	Executive	Sterling Road, Harrison, N.Y., U.S.A.
MARSHALL HAY JONES	Executive	1285 Clover Street, Rochester, N.Y., U.S.A.
WILLIAM VINCENT MACINNES	Stock Broker	1052 Argyle Drive, Oakville, Ontario
BENJAMIN ROSENBERG	Executive	126 Strathearn Road, Toronto, Ontario
SAMUEL J ROSENSTEIN	Executive	Purchase Street, Purchase, N. Y., U.S.A.
HAROLD MELVIN TURNER	Executive	170 Forest Hill Road, Toronto, Ontario

Officers

Chairman of the Board	SAMUEL J ROSENSTEIN	Executive Purchase Street, Purchase, N.Y., U.S.A.
President	BENJAMIN ROSENBERG	Executive 126 Strathearn Road, Toronto, Ontario
Vice-President	ELY SEGAL	Advertising Executive 125 Strathearn Road, Toronto, Ontario
Secretary	SIDNEY GOTTLIEB	Chartered Accountant 65 Billington Crescent, Don Mills, Ontario
Treasurer	BEN SOBEL	Chartered Accountant 203 Strathearn Road, Toronto, Ontario
Assistant Secretary	LAWRENCE SALSBERG	Chartered Accountant 25 Honbury Road, Rexdale, Ontario

5. The auditors of the Company are Ernst & Ernst, Chartered Accountants, 2 King Street East, Toronto, Ontario.

6. The registrar and transfer agent in respect of the shares in the capital stock of the Company is National Trust Company, Limited, 20 King Street East, Toronto, Ontario and 225 St. James Street West, Montreal, Quebec.

7. The authorized capital of the Company consists of 3,000,000 shares without par value of which 2,000,000 shares have been issued and are outstanding as fully paid and non-assessable.

8. Each share of the capital stock of the Company is the same in all respects as every other share and entitles the holder to one vote at all meetings of the shareholders of the Company.

9. There are no bonds or debentures of the Company outstanding or proposed to be issued or any other securities issued or proposed to be issued which, if issued, will rank ahead of or *pari passu* with the shares hereby offered, except the shares reserved for issue against exercise of the subscription warrants mentioned in paragraph 12 hereof.

10. There is no substantial indebtedness to be created or assumed which is not shown on the pro forma consolidated balance sheet of the Company and its subsidiaries as at May 31, 1961, forming part of this prospectus, except such indebtedness as may be incurred by the Company in the ordinary course of its business. Reference is made to the proposed property acquisitions and lease back financing arrangements referred to in paragraph 21 and 22 hereof.

11. No securities of the Company are covered by options outstanding or proposed to be given by the Company, except the shares reserved for issue against exercise of the subscription warrants mentioned in paragraph 12 hereof.

12. By an agreement dated July 24, 1961, between the Company and T. A. Richardson & Co., 4 King Street West, Toronto, Ontario, (herein called the "Underwriter") the Company has agreed to issue and sell and the Underwriter has agreed to purchase 250,000 shares without par value in the capital stock of the Company and 125,000 transferable subscription warrants for \$1,500,000 together with an additional 85,000 subscription warrants for \$8,500, each warrant evidencing the right of persons, other than residents of the United States of America or territories or possessions thereof, to subscribe for one share of the capital stock of the Company on or before September 15, 1962 at \$8.00, thereafter and on or before September 15, 1963 at \$9.50 and thereafter and on or before September 15, 1964 at \$11.00. The warrants unless previously exercised expire at 4.00 p.m. Eastern Daylight Saving Time on September 15, 1964. The said 250,000 shares together with 125,000 of the said warrants are being offered to the public at a price of \$6.50 per share, one warrant accompanying each two shares. Fractional warrants will not be issued. The warrants are subject to certain conditions of exercise, as stated on the face of this prospectus, to which reference is hereby expressly made. The remaining 85,000 warrants are not available for public subscription, and are being disposed of as indicated in paragraph 33 hereof. The agreement provides that the Underwriter will not make a public or private offering of any of the said shares or warrants to or solicit subscriptions from or mail or otherwise distribute information with respect to the Company to residents of the United States of America or territories or possessions thereof. The warrants are to be issued pursuant to a Warrant Indenture dated as of September 1, 1961 between the Company and National Trust Company, Limited, as Trustee. The Warrant Indenture contains adjustment provisions designed to protect the holders of warrants against dilution of their purchase rights.

13. The estimated net proceeds to be derived from the securities offered for public subscription on the basis of such securities being fully taken up and paid for is \$1,500,000. Legal and auditing fees and other expenses incurred by the Company in connection with the issue will be paid out of the general funds of the Company.

14. The proceeds of sale of the securities offered for public subscription will be used as to approximately \$300,000 in making loans to the Company's concessionaires to aid them in meeting inventory requirements; as to approximately \$200,000 in financing the acquisition of properties in Canada until the spring of 1962; to the extent of \$700,000 in acquiring at cost from Towers International, Inc., hereinafter mentioned, the head leases of the shopping centres at Scarborough Township and Toronto Township referred to in paragraph 28 below; and as to the balance of approximately \$300,000 in increasing the Company's working capital. No provision has been made for the holding in trust of any part of the proceeds of the issue of the securities hereby offered.

15. No minimum amount must, in the opinion of the directors, be raised by the issue of the shares and warrants offered by this prospectus to provide the sums for (a) the purchase price of any property purchased or to be purchased that is to be defrayed in whole or in part out of the proceeds of the issue, (b) any preliminary expenses payable by the Company, (c) any commission payable by the Company to any person in consideration of his agreeing to subscribe for or procuring or agreeing to procure subscriptions for any shares in the Company, (d) the repayment of any moneys borrowed by the Company in respect of the foregoing matters, or (e) the repayment of bank loans.

16. The particulars of the underwriting agreement with T. A. Richardson & Co., are as set out in paragraphs 12 and 33 hereof to which reference is hereby expressly made.

17. The by-laws of the Company contain the following provisions with respect to the remuneration of directors:

"The remuneration of the directors shall be such as the board of directors may from time to time determine. The remuneration of a director shall be in addition to the salary or other remuneration, if any, payable to him as an officer or employee. The directors may also award special remuneration to any director undertaking any special service on behalf of the Company other than the routine work ordinarily required of a director. The directors may also be paid their travelling and other expenses properly incurred by them in connection with the affairs of the Company. Confirmation by the shareholders of any such remuneration or payment shall not be required."

18. The Company has not completed its first financial year. There is no remuneration payable by the Company during the current financial year ending May 31, 1962 to the directors of the Company as such. The aggregate remuneration payable to officers of the Company as such individually receiving, or who may be entitled to receive, remuneration in excess of \$10,000 per annum is not capable of approximate estimation. The remuneration of one officer of the Company is $\frac{1}{4}$ of 1% of net sales in the Towers stores (excluding sales therein of furniture, tobacco and food, if any) during each year, for a term of 5 years, automatically renewable for any successive number of like terms if at least 3 of the preceding 5 years are profitable. Only one other officer receives remuneration in excess of \$10,000 per annum, i.e. \$20,000.

19. No commission has been paid since the incorporation of the Company or is now payable by the Company for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares in or obligations of the Company. Reference, however, is made to paragraphs 12 and 33 hereof for particulars of the sale by the Company to the Underwriter of the shares and warrants offered by this prospectus.

20. The estimated amount of preliminary expenses of the Company is \$3,000.

21. and 22. The Company, either directly or through its wholly owned subsidiaries Towers Marts of Canada Limited and Bendonald Properties Limited, has acquired and proposes to acquire various properties on which it has constructed or proposes to construct buildings which have been or are to be sold and leased back to the Company or its subsidiaries. Reference is hereby made to page 5 of this prospectus under the caption "Stores and Centres" for information as to properties completed or planned to be completed by December 31, 1961. No property has been purchased or acquired or is proposed to be purchased or acquired by the Company, the purchase price of which is to be defrayed in whole or in part out of the proceeds of the sale of the shares and warrants offered by this prospectus, except incidentally to the extent that the funds of the Company are used to finance the acquisition of property and the construction of shopping centres in the ordinary course of the business of the Company.

23. The Company has issued as fully paid and non-assessable 1,108,400 shares in its capital stock to Tower's Marts, Inc., 16th Floor, 341 Madison Avenue, New York City, New York, U.S.A., in consideration of the transfer to the Company of all the issued and outstanding shares of Towers Marts of Canada Limited, being 10,000 common shares without par value, and has issued as fully paid and non-assessable 891,600 shares in its capital stock to Towers Properties, Inc., 16th Floor, 341 Madison Avenue, New York City, New York, U.S.A. in consideration of the transfer to the Company of all the issued and outstanding shares of Bendonald Properties Limited, being 10,000 shares without par value. The consideration fixed by the directors of the Company for the issue of the foregoing 2,000,000 shares in its capital stock was \$224,318 in the aggregate or approximately 11 cents per share representing the book value of the shares of Towers Marts of Canada Limited and Bendonald Properties Limited according to their financial statements as at May 31, 1961. Other considerations involved in the issue to Tower's Marts, Inc. and Towers Properties, Inc. of the said 2,000,000 shares, to which no dollar value was attributed in fixing the issue price thereof, were (a) that such companies have guaranteed commitments in respect of Towers stores in Canada of approximately \$2,000,000 of net annual rentals over a 25 year term or a total liability of approximately \$50,000,000, such guarantees having been conditions precedent to the sale and leaseback arrangements made by the Company and its subsidiaries; (b) that such companies made advances and extended credit to the Company and its subsidiaries in connection with the construction of buildings and financing arrangements related thereto; (c) that such companies made available their services and experience in the selection of sites and design of shopping centres and Towers stores, and (d) that such companies were instrumental in concluding arrangements for training concessionaires in Towers stores in the United States of America for the operation of such stores in Canada.

24. No obligations are offered by this prospectus.

25. With the exception of services rendered or to be rendered to the Company in the ordinary course of its business, no services have been rendered or are to be rendered to the Company which are to be paid for by the Company wholly or partly out of the proceeds of sale of the shares and warrants offered by this prospectus.

26. No amount has been paid by the Company since its incorporation or is intended to be paid to any promoter.

27. There are no material contracts entered into by the Company since its incorporation other than contracts entered into in the ordinary course of its business, except the following:

- (a) Agreement dated July 24, 1961 between the Company and T. A. Richardson & Co., referred to in paragraph 12 above.
- (b) Agreement dated May 2, 1961 between Towers Marts of Canada Limited, a subsidiary of the Company, and S. and D. Associates, Inc., 39 State Street, Rochester, New York, U.S.A. and now assumed by the Company, for consulting services as to the development, management and operation of discount department stores and shopping centres. Samuel J. Rosenstein and Donald Harlan Jaffey, directors of the Company, control S. and D. Associates, Inc. The Agreement provides for a fee to S. and D. Associates, Inc. of $\frac{1}{4}$ of 1% of net sales in the Towers stores (excluding sales therein of furniture, tobacco and food, if any) during each year, for a term of 5 years, automatically renewable for any successive number of like terms if at least 3 of the preceding 5 years are profitable.
- (c) Warrant Indenture dated as of September 1, 1961 between the Company and National Trust Company, Limited, referred to in paragraph 12 above.

Copies of the said Agreements may be inspected during ordinary business hours, in the period of primary distribution of the shares and warrants offered by this prospectus, at the Company's head office, Suite 808, 99 Avenue Road, Toronto, Ontario.

The Company either directly or through its subsidiaries has entered into contracts for the purchase or acquisition of property in connection with its business, including concessionaire agreements, agreements for the purchase and sale of land, construction contracts and leases, none of which is considered to be made otherwise than in the ordinary course of business.

28. No director has or had any interest in the promotion of, or in, any property acquired by the Company or its subsidiaries or proposed to be acquired by the Company or its subsidiaries, except that Donald Harlan Jaffey and Marshall Hay Jones, directors of the Company, hold a minority share interest in Gardbrook Investments Limited (herein called "Gardbrook"), 119 York Street, Toronto, Ontario, which is the head tenant of the shopping centres at Scarborough Township and Toronto Township of which the Company, through its subsidiaries, is a sub-tenant. Gardbrook entered into these leasing arrangements before Donald Harlan Jaffey and Marshall Hay Jones were directors of the Company or its subsidiaries. At a meeting held August 29, 1961 the shareholders of Gardbrook approved the sale of all of its assets to Towers International, Inc. hereinafter mentioned, for shares of the latter company pursuant to an offer made by such company, and Towers International, Inc. will consequently become the head tenant of the shopping centres above mentioned. Gardbrook is a private company, nine of the shareholders of which, holding over 75% of the outstanding shares thereof, are residents of Rochester, N.Y., U.S.A. None of said nine shareholders except Marshall Hay Jones is a director of the Company. While some shareholders of Gardbrook may own shares in Towers International, Inc., save for Marshall Hay Jones whose holdings are as set out in paragraph 34 below, their individual holdings are small and even when combined are not sufficient to affect control thereof. The Company proposes to purchase from Towers International, Inc. the head leases of the shopping centres above-mentioned at their cost of \$700,000 and thereby eliminate substantial rental obligations over some 25 years.

29. The business of the Company commenced with incorporation, July 21, 1961. The business of the Company's subsidiary Towers Marts of Canada Limited, which was incorporated on December 10, 1959, commenced in March 1960. The business of the Company's subsidiary Bendonald Properties Limited commenced on its incorporation, May 2, 1961.

30. Tower's Marts, Inc. and Towers Properties, Inc., aforesaid, by reason of their collective beneficial ownership of 2,000,000 shares of the Company's capital stock as set out in paragraph 23 hereof are in a position to elect or cause to be elected a majority of the directors of the Company. The Company knows of no agreement in writing respecting the election of directors of the Company.

31. Pursuant to an escrow agreement dated August 31, 1961 Tower's Marts, Inc. and Towers Properties Inc., aforesaid, have deposited the certificates for 2,000,000 shares in the capital stock of the Company in escrow with National Trust Company, Limited, Toronto, subject to release upon the expiration of one year from the date of the agreement. While the said escrow continues the shares subject thereto may be sold, transferred or otherwise dealt with only with the written consent of the Ontario Securities Commission and of the Quebec Securities Commission.

32. No dividends have been paid by the Company.

33. The Underwriter may sell some or all of the 250,000 shares and 125,000 warrants being offered hereby to registered brokers in Ontario and Quebec at the price of \$6.15 per share, one warrant

34. Tower's Marts, Inc. and Towers Properties, Inc. aforesaid, which own in the aggregate 2,000,000 shares of the Company's issued and outstanding shares, are affiliated companies doing business in the United States of America. At the present time, Tower's Marts, Inc. is the owner of over 50% of the issued and outstanding shares of Towers Properties, Inc. Tower's Marts, Inc. is in the business of operating retail discount department stores. It operates eight such stores in the United States of America, six under the name Towers Discount Department Stores and two under the name of Sun Discount City, and during the month of August, 1961, opened four additional stores in the Washington, D.C. area. Towers Properties, Inc. is in the business of acquiring sites for the development of shopping centres having Tower's Marts, Inc. as a key tenant.

35. There are no other material facts not disclosed in the foregoing.

The foregoing constitutes full, true and plain disclosure of all material facts in respect of the offering of securities referred to above, as required by section 39 of the Securities Act (Ontario) and under the Quebec Securities Act, and there is no further material information applicable other than in the financial statements or reports where required or exigible.

(Signed) A. H. DOUGLAS (Signed) B. ROSENBERG (Signed) S. J. ROSENSTEIN
(Signed) J. D. FIENBERG (Signed) H. M. TURNER (Signed) M. H. JONES
(Signed) W. V. MACINNES (Signed) D. H. JAFFEY (Signed) S. R. DILWORTH
by their Agent
(Signed) B. ROSENBERG

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FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET TOWERS MARTS AND PROPERTIES LIMITED AND SUBSIDIARIES SEPTEMBER 30, 1961

CURRENT ASSETS:		ASSETS	
Cash.....		\$ 239,203	
Notes and accounts receivable.....		1,006,827	
Accumulated costs and related recognized profits under contracts of sale and leaseback of properties—Note B.....		3,876,600	
Equipment held for resale under contracts of sale and leaseback—at cost.....		580,837	
Properties at cost, held for resale under contracts of sale and leaseback—Note B.....		595,300	
Prepaid expenses, operating supplies, etc.....		107,728	
		TOTAL CURRENT ASSETS	\$6,406,495
Equipment and leasehold improvements—at cost less depreciation and amortization of \$24,324.....		377,279	
OTHER ASSETS:			
Deferred finance charges (\$37,160) and pre-opening expenses (\$61,821)—Note D.....	\$98,981		
Accounts with directors.....	23,733	122,714	
Leasehold rights, at cost less amortization—Note C.....		688,960	
Unamortized organization expenses.....		26,997	
			<u>\$7,622,445</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:			
Accounts payable and accrued expenses (including unbilled costs on land and construction contracts in process \$2,548,615).....		\$3,914,744	
Loans payable.....		712,499	
Towers Marts International, Inc.—parent.....		221,727	
Taxes on income—estimated.....		333,600	
		TOTAL CURRENT LIABILITIES	\$5,182,570
Concessionaires' rental deposits.....		114,328	
Notes payable under conditional sales contracts less current portion.....		140,913	
Deferred equipment rental income.....		113,405	
SHAREHOLDERS' EQUITY:			
Capital stock, no par value:			
Authorized 3,000,000 shares; issued and outstanding 2,250,000 shares—Note E.....	\$1,724,318		
Other paid-in capital.....	8,500		
Retained earnings—net income for the period.....	338,411	2,071,229	
Commitment—Note F			<u>\$7,622,445</u>

Notes to Financial Statements appear on page 5.

Approved on behalf of the Board:
 "BEN ROSENBERG", Director
 "W. V. MACINNES", Director

AUDITORS' REPORT

TO THE BOARD OF DIRECTORS,
 TOWERS MARTS AND PROPERTIES LIMITED.

We have examined the consolidated balance sheet of Towers Marts and Properties Limited and subsidiaries as of September 30, 1961, and the related statements of consolidated income and retained earnings for the period of four months then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of income present fairly the consolidated financial position of Towers Marts and Properties Limited and subsidiaries at September 30, 1961, and the consolidated results of their operations for the period of four months then ended, in conformity with generally accepted accounting principles.

"ERNST & ERNST",
 Chartered Accountants

January 18, 1962.

STATEMENT OF CONSOLIDATED INCOME

TOWERS MARTS AND PROPERTIES LIMITED AND SUBSIDIARIES

Period of four months ended September 30, 1961

REVENUES—NOTE A:

Sales of real estate—Note B.....	\$7,949,600
Rental of concessions.....	309,046
Rental of equipment to concessionaires.....	21,791
	\$8,280,437

COSTS AND EXPENSES—NOTE A:

Cost of real estate sold—Note B.....	\$7,022,095	
Administrative and other expenses applicable to real estate operation.....	269,259	
Occupancy charges (\$122,672) depreciation (\$11,159) and other expenses applicable to store operations.....	324,072	7,615,426

INCOME BEFORE TAXES ON INCOME..... \$ 665,011

Taxes on income—estimated..... 326,600

NET INCOME \$ 338,411

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOWERS MARTS AND PROPERTIES LIMITED AND SUBSIDIARIES

September 30, 1961

NOTE A—PRINCIPLES OF CONSOLIDATION

Towers Marts and Properties Limited was incorporated by Letters Patent dated July 21, 1961, and on August 16, 1961, acquired, in exchange for its own shares, all the outstanding shares of Towers Marts of Canada Limited and Bendonald Properties Limited.

The transaction described above has been treated as a “pooling of interests” and accordingly, the statement of consolidated income includes, after elimination of all significant inter-company accounts and transactions, the operations of the subsidiaries of Towers Marts and Properties Limited from June 1, 1961, and of the parent company from the date of its incorporation.

Rental income shown in the statement of consolidated income comprises the operations of one store for the entire period of four months and of three stores opened at various dates between June 1, 1961, and September 30, 1961. Sale of real estate reflects the construction, sale and leaseback of seven store sites completed or in the process of construction, computed in accordance with accounting policies explained in Note B of Notes to Consolidated Financial Statements.

NOTE B—ACCOUNTING POLICIES REGARDING CONSTRUCTION CONTRACTS AND SALE-LEASEBACK AGREEMENTS

The Company’s policy is to enter into a firm construction contract and a firm sale-leaseback agreement before commencing improvements on acquired land. The Company records profit on the transaction on a percentage-of-completion basis of accounting.

NOTE C—LEASEHOLDS

The amount stated for leaseholds represents the cost of acquiring leasehold interests in two store sites operated by the Company less amortization computed on the basis of the terms of the leases, one being forty-five years and the other fifty years.

NOTE D—DEFERRED PRE-OPENING EXPENSES

Pre-operating expenses consisting of management costs incurred in connection with stores prior to their opening, will be amortized over a period of three years from the date of the opening of each store.

NOTE E—OUTSTANDING SHARE WARRANTS

At September 30, 1961, transferable subscription warrants were outstanding for the purchase of a total of 210,000 shares in the Company. Such warrants are exercisable as follows:

On or before September 15, 1962, at \$ 8.00 per share
Thereafter to September 15, 1963, at \$ 9.50 per share
Thereafter to September 15, 1964, at \$11.00 per share

NOTE F—OUTSTANDING LEASES

Annual rental commitments for the four stores in operation at September 30, 1961, (after deduction of those pertaining to the leasehold interests acquired) amounted to \$413,550 excluding taxes, insurance and other occupancy charges, with additional rentals based on a percentage of sales. Such leases are generally for terms of twenty-five years with options to renew for two further terms of ten years.

Five additional stores were under construction in various stages of completion at September 30, 1961, and under a blanket commitment, will be sold and leased back on similar terms.

